

TAX RESTRUCTURING AND EQUALIZATION TASK FORCE

Legislative Policy Summit
September 17, 2019





Listening Phase Town Halls

~1500 attendees

~200 public comments

~150 comment cards

Website

~5,600 visits

~190 comments

STUDY PHASE



GUIDING PRINCIPLES

Competitive

Sufficient

Sustainable

Stable

Flexible

Fair

Simple

Transparent

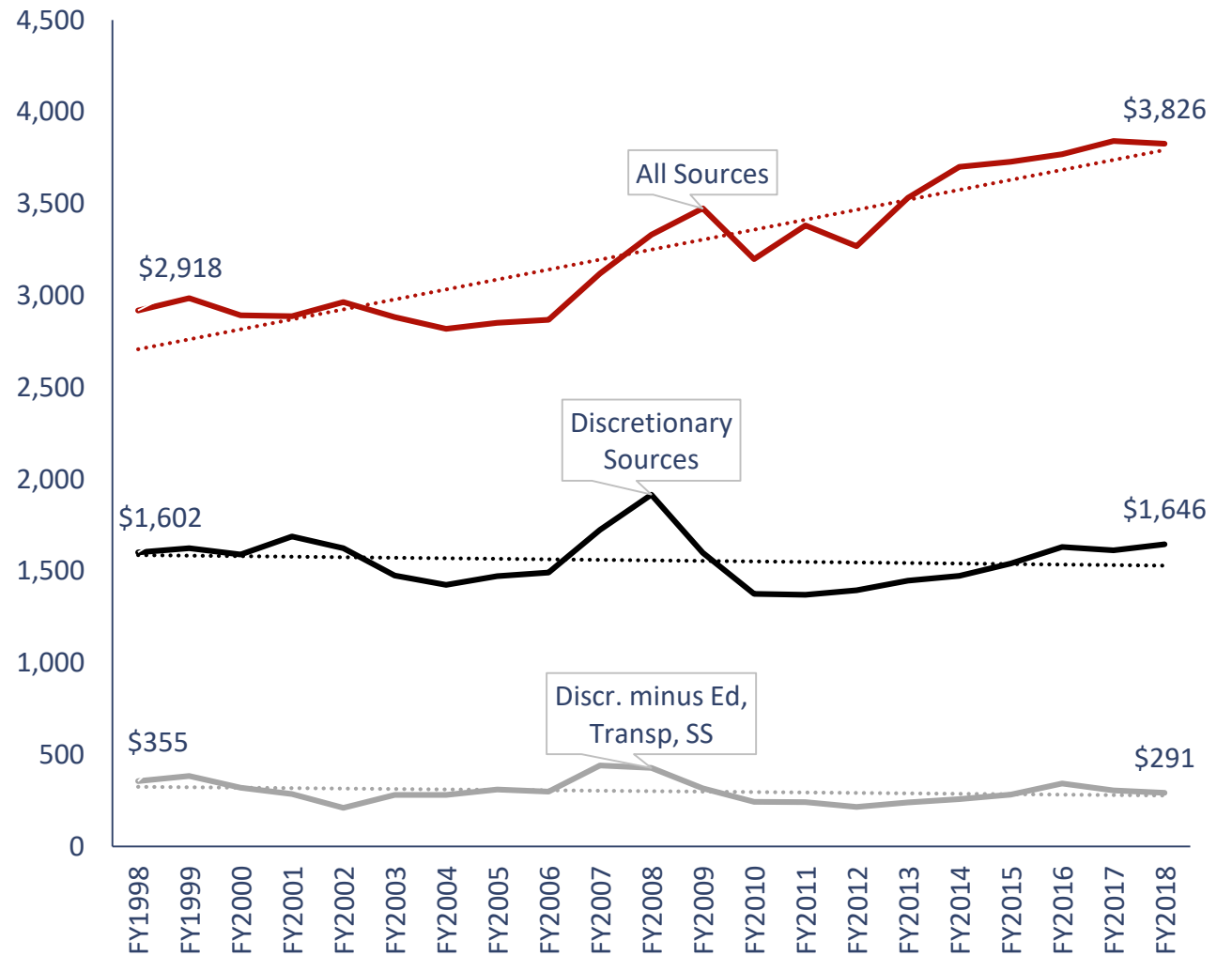
DO WE HAVE A “SPENDING PROBLEM”?

Total state budget from all sources is growing faster than inflation and population.

General revenue budget (GF, EF, TF, TIF) about flat on a real per-capita basis.

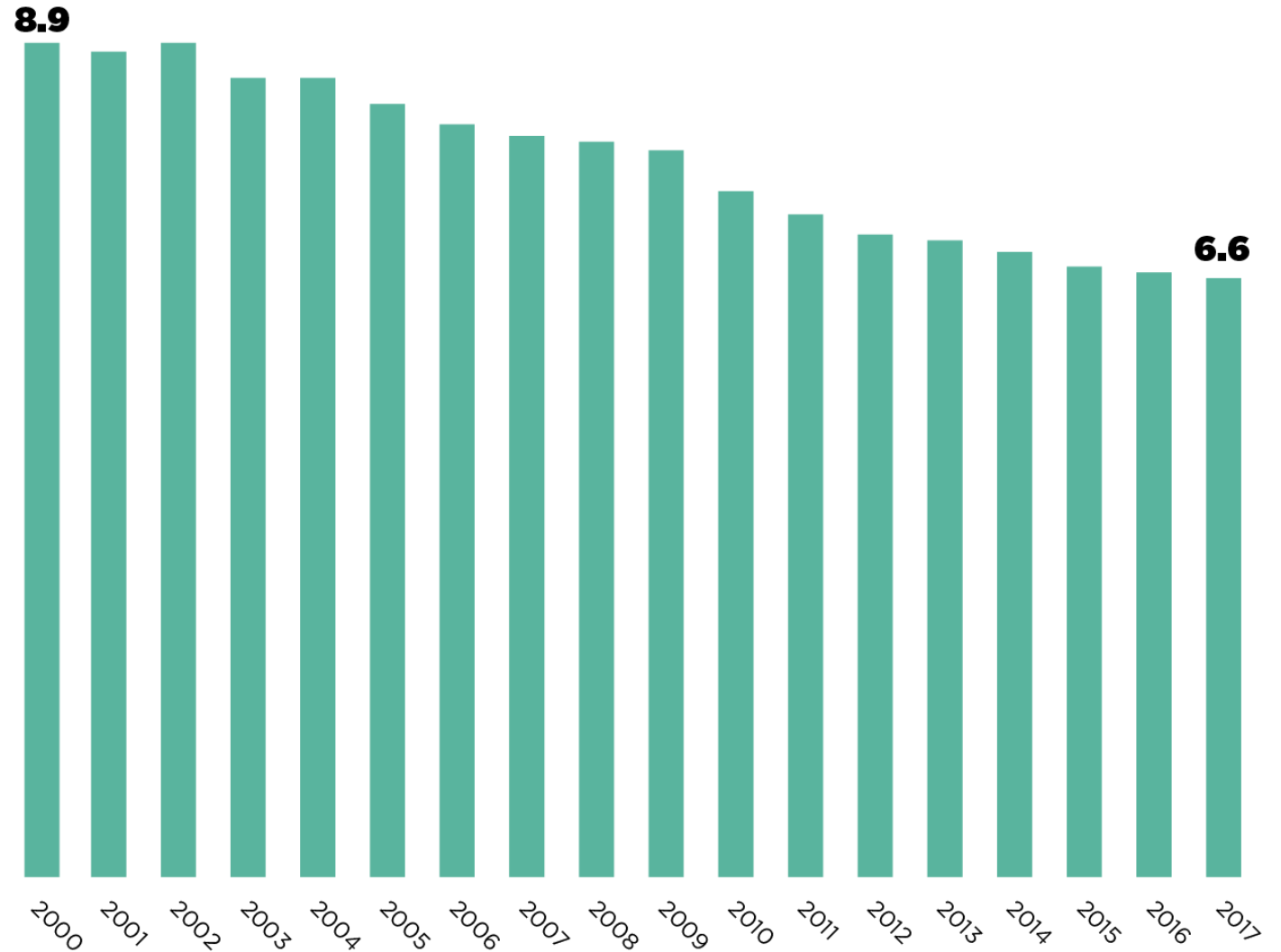
Education, social services, and transportation driving growth – all others lagging.

Controls on spending currently exist.



Source: Budget of the State of Utah, Office of the Legislative Fiscal Analyst.

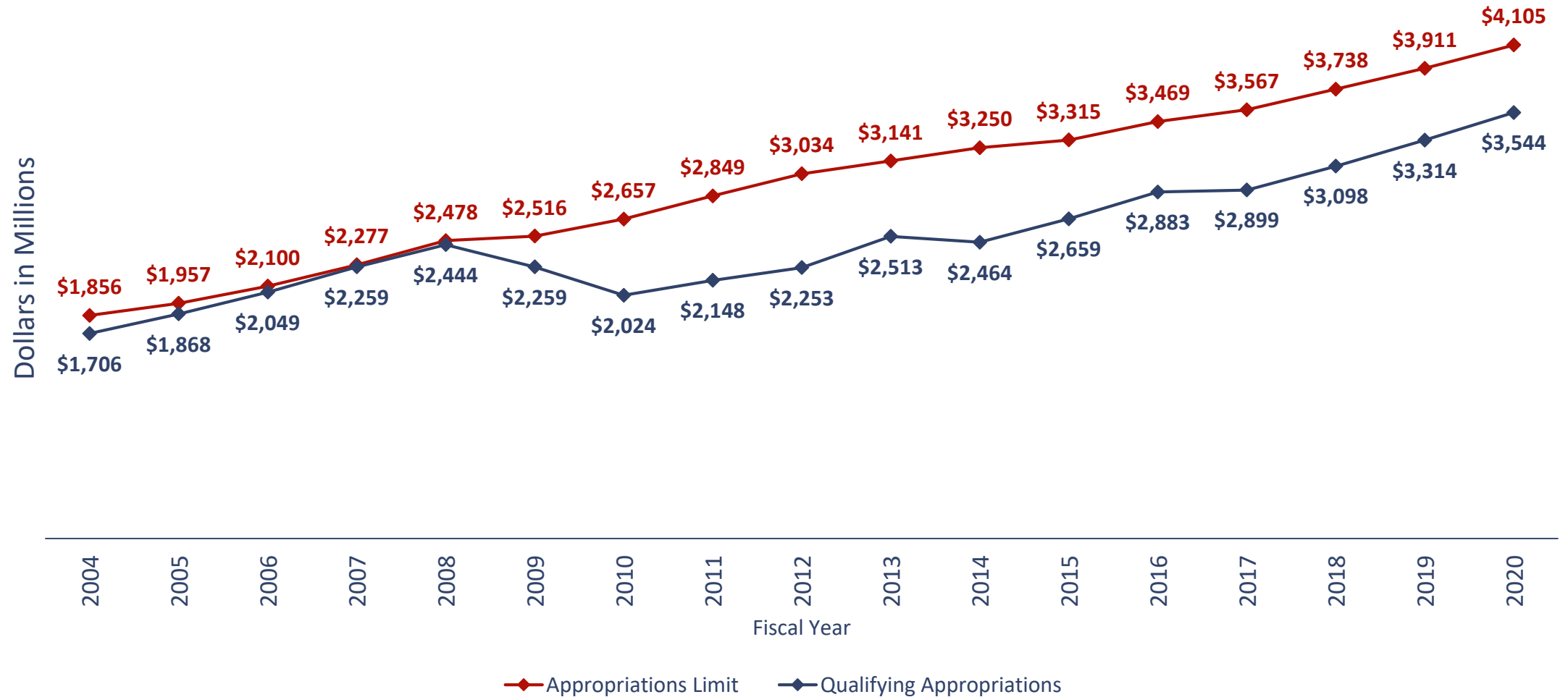
STATE GOVERNMENT EMPLOYMENT PER 1,000 POPULATION



Note: Excludes Higher Education

Source: Utah Governor's Office of Management and Budget

APPROPRIATIONS LIMIT



STUDY PHASE – MEETING 1

Policy Options	Scope	Est. Gen Fund Change	Est. Education Fund Change
Restore Full Sales Tax on Food	<ul style="list-style-type: none"> All food Soda and Candy Bottled Water and Dietary Supplements 	\$250 million \$16 million \$27 million	
Grocery Credit	<ul style="list-style-type: none"> \$100 per individual with no phase out \$50 per individual with 0.5%/\$ income phase out starting at 30K(single) and 60K(married) 		(\$300 million) (\$65 million)
Earned Income Tax Credit	<ul style="list-style-type: none"> 10% of Federal, Refundable, Apportionable 		(\$45 million)
Social Security Income Tax Credit	<ul style="list-style-type: none"> Per changes in HB 441 Non-refundable credit based on all social security income 		(\$13 million) (\$33 million)
Military Retirement Income Tax Credit	<ul style="list-style-type: none"> Half of income excluded from taxable income calculation 		(\$1.8 million)
Income Tax Rate Adjustment	<ul style="list-style-type: none"> .05% rate reduction 		(\$55 million)

STUDY PHASE – MEETING 2

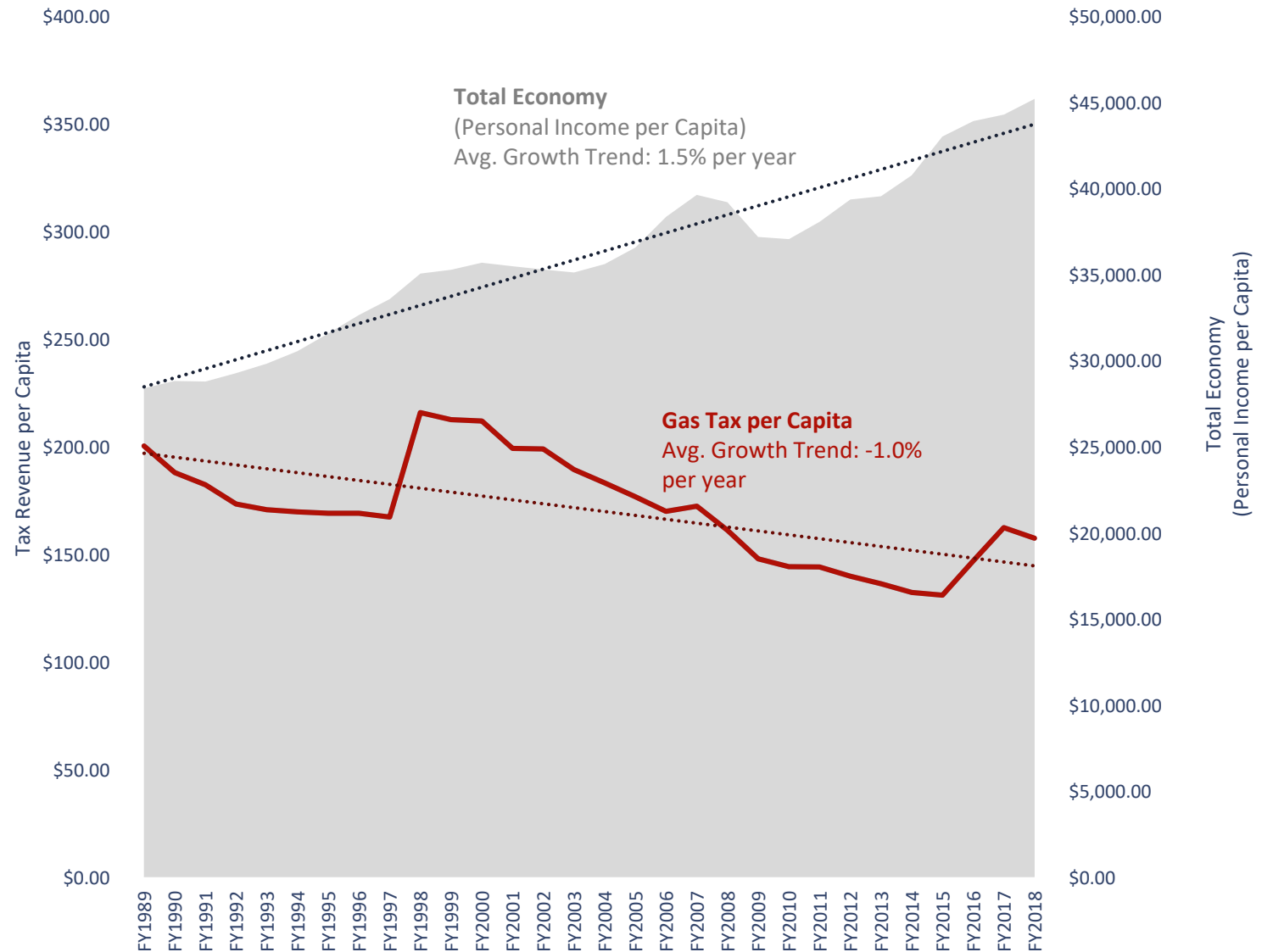
Policy Options	Scope	Est. Gen Fund Change	Est. Education Fund Change
Eliminate Spending Restrictions on Income Tax	<ul style="list-style-type: none"> Makes \$4.8 billion more flexible 		
Income Tax Filing Fee and Credit	<ul style="list-style-type: none"> \$10 per filer 	\$15 million	(\$15 million)
Basic School Program Funded from Education Fund		\$500 million	(\$500 million)
School Lunch Program Funded from Education Fund		\$55 million	(\$55 million)
Transfer All Higher Education Spending from General Fund to Education Fund		\$335 million	(\$335 million)
Transfer All Other Education Related Programs from General Fund to Education Fund		\$135 million	(\$135 million)
Income Tax Credits Paid from Other Funds		\$800,000	(\$800,000)
Utah Personal Exemption	<ul style="list-style-type: none"> Restore full amount - no phase-out Restore full amount - 1.5% phase-out 		(\$136 million) (\$55 million)

EDUCATION-RELATED INCOME TAX EARMARKS IN OTHER STATES

- 44 states have a state income tax
- 9 states earmark some portion of income tax revenue for education
- 3 states earmark income tax revenue for education by state constitution
- Amounts vary
- Other states earmark portions of other revenue sources for education

STUDY PHASE – MEETING 3

- Transportation
- User Fees



Sources: Utah State Tax Commission
U.S. Bureau of Economic Analysis

STUDY PHASE – MEETING 3

•Sales Tax Exemptions

89 SALES TAX EXEMPTIONS CURRENTLY IN STATUTE

Including:

- Admissions to college athletic events
- Vehicle trade-ins and other trades as part payment for a purchase
- Car wash that does not include cleaning the interior of the vehicle
- Motor fuel, special fuel, aviation fuel
- Water in a pipe, conduit, ditch or reservoir
- Vending machine food sold for \$1 or less under certain circumstances
- Use of unassisted amusement device
- Primarily unassisted cleaning of property (coin operated laundry, etc.)

STUDY PHASE – MEETING 4

• Expanding Sales Tax on Services

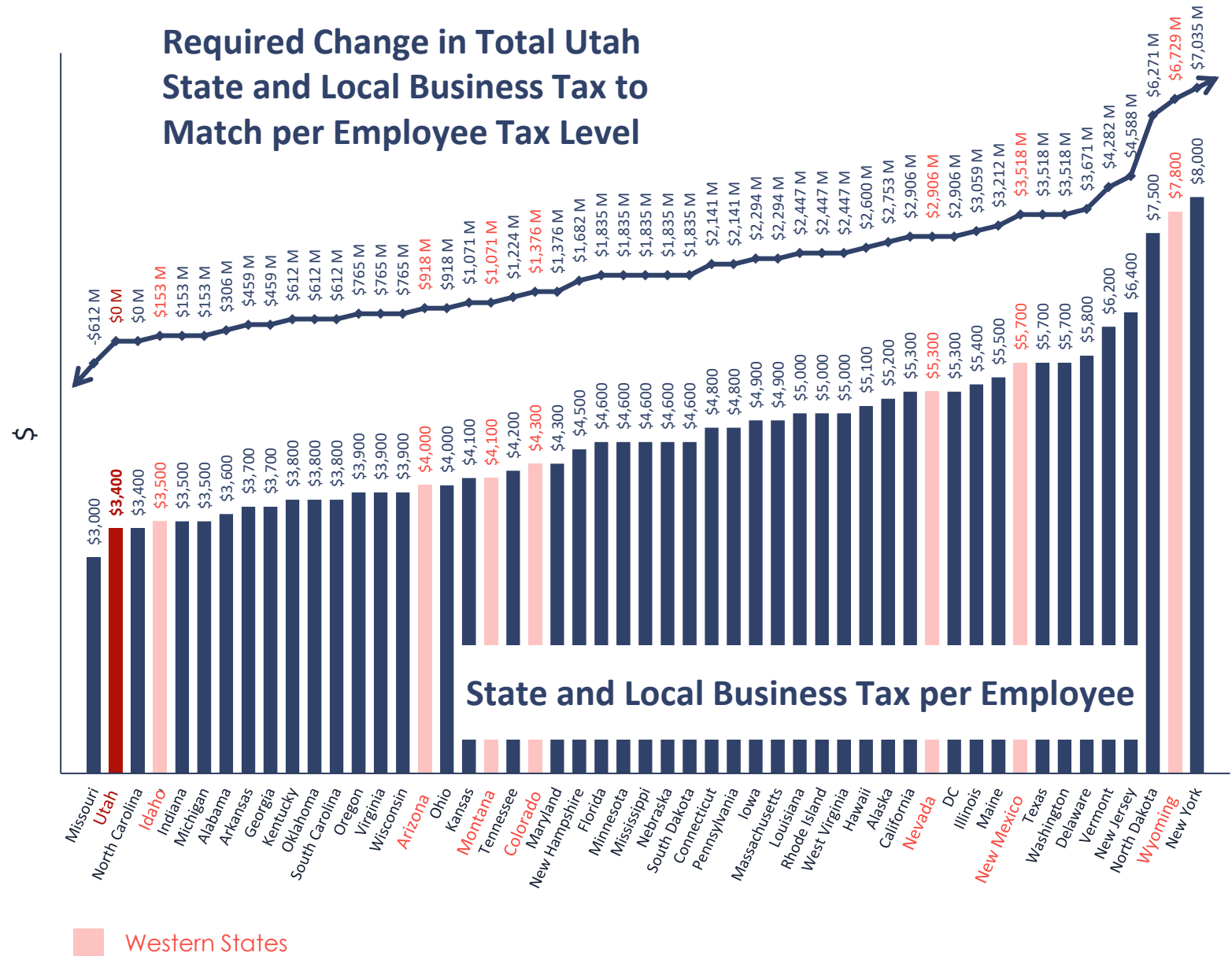
MANY SERVICES ARE CURRENTLY PART OF THE SALES TAX BASE

Including:

- Repair and renovation of tangible personal property
- Admissions to many entertainment/amusement events
- Cleaning of tangible personal property
- Hotel and motel accommodations and services
- Telecommunications services

STUDY PHASE – MEETING 4

- Expanding Sales Tax on Services
- Minimizing Tax Pyramiding





LEGISLATURE